



6. Next Steps & Implementation

Setting the Stage

The Southwest Waterfront project has gained a momentum that was hard to imagine when the planning process commenced in 2001. Community meetings in February and July 2002 were each attended by well over 350 people, demonstrating the importance of this plan to the immediate Southwest community and to the District. In addition, the multiple rounds of discussions with the current lessees, consultations with the District government, discussions with key federal decision makers, focused stakeholder meetings with the residents of Tiber Island and Harbor Square, and meetings with the NCRC Board of Directors have all demonstrated the willingness of a substantial group of stakeholders to consider a redevelopment of the Southwest Waterfront. All involved are keenly aware that this nearly 2 million square foot project will be among the largest conceived by the District government and will establish the waterfront as a substantial asset for its citizens.

Over the last year, the planning team has incorporated the feedback of neighborhood residents, local businesses, government agencies, and technical experts into the evolving Southwest Waterfront Development Plan and AWI Vision. As a result, each iteration of the plan has been an improvement on the last. This progress is exciting, and demonstrates the potential of an inclusive planning process, in which a continuous feedback loop between a public development agency and the community yields a better plan than any one party could create. Invariably, there are a number of questions that remain as the implementation process begins, and the interactive process of community and stakeholder engagement that has informed the process thus far must continue.

Goals and Objectives

Change in a built urban environment is a multi-faceted, complex process. Successful developments are the result of a vigorous pursuit of multiple policy objectives that must be balanced one against the other. Successful developments are also most often the product of collaboration between public and private sectors with the public sector providing sustained, focused development management. The Southwest Waterfront Development Plan detailed in this report transforms what is largely underutilized space into a dense, mixed-use urban neighborhood, book-ended by two centers of public activity. The implementation and financing strategies for a plan of this magnitude and with significant public benefit will require a substantial investment of energy and funds by NCRC, the District, the Federal Government, and the private sector.

NCRC

The redevelopment of the Southwest Waterfront presents NCRC with an opportunity to make a fundamental change in the relationship of the City and this neighborhood to the waterfront. Such an opportunity can make a substantial contribution to the quality of life in the District, and will increase long-term revenue to the government.

NCRC's role in the development of the Southwest Waterfront over the next three to five years will be directed toward these ends:

- Ensure quality development consistent with public policy objectives;
- Act as the overall development manager and joint-venture partner with the private sector;
- Earn reasonable long-term returns on capital investment; and
- Establish an investment framework agreement with the District government.

In order to fulfill its mission, NCRC must take a number of actions, which include:

- Create the capacity to manage the complex development proposed for the Southwest Waterfront;
- Obtain governmental approvals of the proposed plan;
- Select a developer(s) to whom the NCRC will dispose the land;

- Select a series of joint venture development partners, including some or all of the existing lessees;
- Act as the co-development manager;
- Select or assist in the selection of the developers of the cultural components;
- Control and program public spaces; and
- Obtain government funding for infrastructure.

Creating the Capacity for Implementation

NCRC has two primary options as it prepares to manage the multi-million dollar development effort in the Southwest. Both options will require an investment of funds and energy by NCRC, but are distinct in their approach to the implementation process.

Option One

NCRC could build the capacity within its existing structure to manage the Southwest Waterfront development. NCRC will need to make a sizeable initial investment in overhead costs, which would include the cost of hiring a senior level development manager to oversee all pre-development activities. NCRC should expect repayment of this investment with returns from the development.

Option Two

Alternatively, NCRC could create a subsidiary corporation, the Southwest Waterfront Development Corporation (SWDC), to manage the development effort. SWDC's separate board would include representation from NCRC. NCRC would retain the rights to approve major policy decisions, such as changes to the Southwest Waterfront Development Plan, but would grant the subsidiary the right to manage the development. The land and leasehold interests currently held by the NCRC/RLARC in the Southwest would be transferred to SWDC. SWDC would report to the NCRC Board on policy issues and report to NCRC's President on an operating basis.

NCRC would finance SWDC with an initial investment, which would allow the corporation to hire a President at a competitive salary and engage in the necessary pre-development activities. NCRC should expect repayment of this investment with appropriate returns from the development.



DRAFT

Once NCRC determines the structure it will use to manage the development, NCRC or the SWDC will need to take a number of necessary predevelopment steps, which include the following:

- Submit the Development Plan to the District for a two-phased Planned Unit Development (PUD) plan review procedure, or a Small Area Plan review procedure. This process would allow the required zoning changes proposed in the Development Plan to be approved simultaneously for the entire site.
- Obtain infrastructure funding as outlined in following section.
- Manage the process to identify a cultural partner for the development.
- If necessary, work with the National Park Service to obtain federal funding and approval for the proposed development of the transportation center under the 10th Street Overlook.
- Seek Joint Development Partners through a competitive bid process.

Real Estate Investment

RLARC currently owns the land underlying development Sites 1 through 6, but does not control the long-term leases to all of the parcels on this land. NCRC owns the Gangplank Marina and acquired the leasehold of the former Hogates restaurant for \$5.55 million in September 2002. With these acquisitions, NCRC has control of two of six development sites. NCRC's properties provide the opportunity to phase the development and minimize the amount of time existing lessees would have to close down during the redevelopment. As implementation of the Development Plan progresses, NCRC will need to gain control, either through partnership or purchase, of the remaining leases in the project area.

The District

NCRC will need to work together with the District at every step of the development process in the Southwest. The District must also take a number of crucial actions to support the success of the Plan, which include:

- The Office of Planning must ensure an expeditious review of the proposed plan;
- The City Council must approve the Southwest Development Plan;
- The DC Zoning Commission must approve a rezoning of the Southwest Waterfront; and
- Work with NCRC to obtain funding for infrastructure and parks.

Ongoing Community Engagement

NCRC and the Office of Planning recognize that it is absolutely critical that community engagement continue at every step of the implementation process. Each stage of the planning and approval period moving forward will involve a public process, during which there will be significant time allowed for continuous community feedback.

Investment & Returns

Public Investment Required

In order for the proposed Development Plan for the Southwest Waterfront to succeed in providing active and lively public space, housing, and neighborhood and regional destinations, it will require significant public and private investment. This section summarizes what these costs may be. It is important to note that all costs are preliminary, and represent midpoints in a range. It should be assumed that infrastructure costs could vary by 20 percent. This section does not address the costs associated with the AWI Vision for the Southwest Waterfront, which will include the Visitor and Transportation Center at the 10th Street Overlook, the construction of new piers and reconfiguration of existing piers, and other long-range ideas for the waterfront.

Infrastructure and Transportation Costs

The total estimated cost for relocating the water, sewer, natural gas, and electrical lines currently under Water Street to Maine Avenue is \$2.2 million.

Transportation costs related to the demolition of Water Street, the demolition of the existing surface parking lots, the proposed improvements on Maine Avenue, new traffic signals, and landscaping along Maine Avenue total \$5.9 million.

There will be transportation costs associated with constructing the cul-de-sacs at the termination points of 9th Street, 7th Street, and 6th Street, but for the purposes of this analysis these have been incorporated into the costs of the street-end parks at these locations.

The total estimated infrastructure and transportation costs are \$8.1 million.



Park and Public Space Costs

There are two significant public gathering spaces incorporated in the Southwest Waterfront Development Plan. At the northern end of the site is the proposed Market Square, an active, commercial, hard-surface park. The estimated cost for this park, which includes the construction of a vehicle turn-around, is \$3.5 million. At the south end of the site is the proposed Civic Park. This green waterfront park will cost an estimated \$5.5 million. The construction of 240 below-grade parking stalls under the civic and cultural park will cost an additional \$2.2 million, and reconfiguring the waterfront access roads south of M Street will cost \$1.4 million. The total cost for the Civic Park, as proposed in the Development Plan, is approximately \$9 million.

There are three smaller (15,000-20,000 square feet) street-end parks located at the termination of 9th, 7th, and 6th Streets. The estimated cost for these three parks, which include landscaping, driveways into the buildings, and pedestrian crossings of the streets as they enter the parks from Maine Avenue, is \$3.1 million.

The Development Plan includes a widening of the existing waterfront promenade by setting the buildings further back from the bulkhead. The cost of improving and landscaping the promenade once it is widened and of providing paved access for emergency vehicles is \$1.2 million.

The total estimated cost for the parks and public spaces that are included in the Southwest Waterfront Development Plan is \$16.9 million.

Real Estate Costs

NCRC has many options for acquiring the leases/development rights of the existing businesses on the Southwest Waterfront, which include varying degrees of partnership with existing businesses. Regardless of how NCRC chooses to gain the right to develop the sites in the project area, a significant investment in real estate will be required.

Private Investment Required

The private investment required for the development of the five parcels at densities recommended in the Development Plan will range between \$275 million and \$375 million. This significant private investment will spur the physical transformation of the face of the waterfront and will also bring jobs and increased tax revenue to the District. Assuming a total public investment of \$25.4 million (which does not include the additional real estate investment required of NCRC), each dollar of public investment will leverage between \$11 and \$15 of private investment in the site.

Distributing Costs

The investment required to make the Southwest Waterfront Development Plan a reality must be distributed between all parties that will benefit from the improved Waterfront: the District, the Federal government, NCRC, joint venture partners and private developers. Costs may be shared by these parties in a variety of ways, all of which will need to be considered as the implementation process progresses. Potential guidelines for this distribution of costs are outlined below. However, there are a number of other feasible options for dividing the required investment, and a preferred strategy has not yet been determined.

• Potential Cost Distribution Scenario

Utilities. Based on common practices in the District, the costs associated with moving water and sewer lines will not be borne by the utilities, and therefore must be covered by NCRC or the District. However, costs associated with moving electrical and gas lines should be covered by the electrical and gas utilities, which will ultimately benefit financially from the development due to increased use.

District Government. The infrastructure costs associated with the removal of Water Street and improvement of Maine Avenue, excluding the costs of relocating the utilities, could be financed by a combination of District and federal funds. These costs would be distributed based on standard financing practices for transportation projects in the District, with the District covering approximately half of the costs and the federal government covering half. The District would be responsible for financing all

TABLE 6.A
Summary Chart of Investment Required

RECOMMENDATION	COST
Relocating Utilities	\$2.2 million
Eliminating Water Street & Transforming Maine Avenue	\$5.9 million
Market Square	\$3.5 million
Civic Park	\$5.5 million
Below-grade Parking at Civic Park	\$2.2 million
Reconfiguring Waterfront Access Roads South of M St.	\$1.4 million
Street-end Parks	\$3.1 million
Improving the Waterfront Promenade	\$1.2 million
TOTAL PUBLIC INVESTMENT	\$25.0 million
TOTAL PRIVATE INVESTMENT	\$275-\$375 million

TABLE 6.B
Potential Cost Distribution

SOURCE OF FUNDS	ITEM IN DEVELOPMENT PLAN
Utility Companies	Relocation of utilities
District Government	Relocation of utilities, removal of Water Street, improvements to Maine Avenue, creation of and improvements to public spaces
Federal Government	Removal of Water Street, improvements to Maine Avenue, AWI Vision Visitor and Transportation Center
NCRC	Creating implementation capacity, real estate costs
Private Sector	Development of Sites 1 through 5



DRAFT

parks proposed in the Development Plan, but not for costs associated with the 10th Street Overlook Transportation Center in the AWI Vision for the Southwest Waterfront. Additionally, the District would cover the costs incurred by moving the water and sewer lines from Water Street to Maine Avenue.

Federal Government. Federal funds would be obtained to finance the transportation center under the 10th Street Overlook site proposed in the AWI Southwest Waterfront Vision. Additionally, the federal government would be responsible for covering half of the costs associated with the removal of Water Street, the improvements on Maine Avenue, and the construction of public parks.

NCRC. An upfront investment will be required of NCRC, both to create the capacity to move forward with the implementation of the plan and to partner with existing businesses and/or to acquire leases within the project area. NCRC has an array of options for creating the capacity to manage the development, and for handling the real estate transactions that will ready the site for development. NCRC has already made a significant real estate investment in the site, with the acquisition of the Gangplank Marina (in partnership with the District), and the recent acquisition of the Hogates leasehold. Any combination of methods that NCRC chooses to employ will require a significant investment.

Distributing Revenue

Substantial revenue will be generated from the recommended development scenario. This revenue must be used to compensate both NCRC and the District for their significant investments in the Site. The distribution of this revenue is complex, given the varied land ownership in the project area and the large financial impact of the required zoning changes. NCRC and the District will need to come to an agreement regarding what agency has the right to the increased value generated by the required upzoning on its land.

Balance of Investment and Returns

Like most redevelopment projects with significant public components, preliminary analysis illustrates the potential for the total investment required to outstrip the increased revenue generated by the development. However, the revenue generated by the development should be significant, and the federal government may carry a portion of the project costs. Therefore, it is likely that the return to the District and to NCRC will be positive.

Additionally, there are a number of financing options that should be drawn on to further distribute the public costs associated with the implementation of the Development Plan. These options may include the establishment of a Tax Increment Financing (TIF) district, issuance of bonds, application for congressional appropriations, application for federal Department of Transportation funding, and the creative incenting of further private sector investment.

Proposed Project Schedule

The crucial next steps in the implementation of the Southwest Waterfront Development Plan for the Southwest Waterfront include the following:

- City Council approval of the Plan
- Re-zoning of the Southwest Waterfront
- Approval of revised zoning by National Capital Planning Commission (NCPCC)
- Closing Water Street
- Seeking public funds for infrastructure and parks

Assuming these steps occur expeditiously, developers can be secured for the first phases of the Southwest Development Plan by 2004.

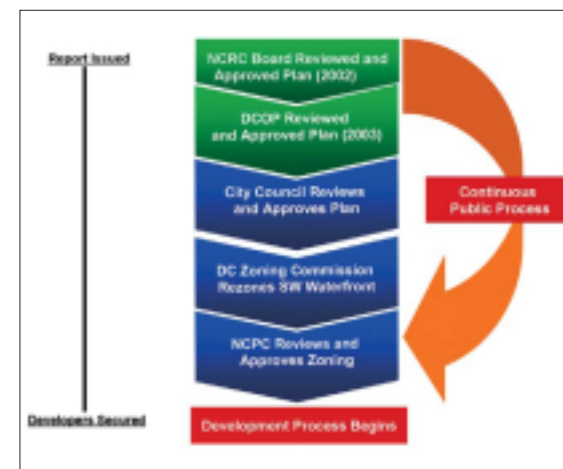


FIGURE 6.1
Proposed Project Schedule